Decision 02-11-056 November 21, 2002

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company Proposing the Extension of the Pilot Programs for Customer Ownership of Gas Meters and Gas Meter Add-on Devices that were Adopted in Decision 00-05-049.	Application 02-06-051 (Filed June 28, 2002)

O P I N I O N

I. Summary

This decision denies the application of Pacific Gas & Electric Company (PG&E) seeking to make permanent two Commission-approved pilot programs which allow a certain number of customers to own their own gas meters and gas meter add-on devices. The Commission finds that the pilot programs have served a useful purpose as information gathering tools, but have failed to garner any meaningful customer interest or participation. Accordingly, the pilot programs should expire on December 31, 2002, as currently scheduled.

II. Background

In its industry wide investigation[1] exploring "promising gas options," the Commission approved an uncontested comprehensive settlement proposal presented by nearly 30 market participants and interested parties addressing

[1] Investigation (I.) 99-07-003.

many facets of PG&E's natural gas system.[2] In addition to addressing a multitude of gas industry issues, the Commission approved the creation of pilot programs for customer ownership of gas meters and gas meter add-on devices. (Decision (D.) 00-05-049, Finding of Fact 4).[3]

A. The Adopted Pilot Programs for Customer Ownership of Meters and Add-on Devices

The first adopted pilot program is designed to test limited customer meter ownership of PG&E-owned meters. Under its terms, up to 500 customer-owned meters may be installed per year, as long as they are new meter installations at noncore customer facilities, and do not replace existing PG&E-owned meters. Thus core customers and existing noncore customers are not eligible for this program. To own the meter, the customer must sign a gas meter ownership agreement and a construction, maintenance, and operating agreement with PG&E. The customer also pays a deposit for the required Rule 16 advance. PG&E charges the customer for the cost of constructing the meter, including engineering, materials and labor; these costs may be offset by a reduction in the applicable service connection fees that customers would otherwise be obligated to pay. The customer takes ownership of the meter by executing a bill of sale with PG&E.[4] This pilot program expires December 31, 2002 (D.00-05-049, *mimeo.*, p. 14).

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[2] The Commission-approved "Comprehensive Gas OII Settlement Agreement" is Attachment A to D. 00-05-049.

[3] See generally, § 2.10 of the Comprehensive Gas OII Settlement Agreement.

[4] This pilot program is described in § 2.10.4 of the Comprehensive Gas OII Settlement Agreement and in the Assessment Report attached to Application (A.) 02-06-051.

The second pilot program is designed to test customer ownership of meter "add-ons." The program allows any gas customer to request PG&E to install a customer owned device on the PG&E gas meter. Typical add-on devices initiate an electric pulse each time a certain volume of gas is measured by the meter and then record and relay that data to a data collection system. Such add-on devices permit a customer to have access to consumption data independently of PG&E's monthly reading and reporting of that data, thereby allowing a customer to track usage on a daily, hourly, or even minute-by-minute basis. Under the terms of the pilot, PG&E may install a maximum of 1000 customer-owned meter add-on devices per year, although it has discretion to increase this cap. PG&E charges customers for the cost of installing the add-on device, and, if necessary, for the cost of its maintenance or removal. Installation cost is dependent on the type of device the customer desires, but for commonly available pulse initiator devices, the PG&E cost is approximately $300 to $800.[5] This second pilot program also expires December 31, 2002 (D.00-05-049, *mimeo.,* p. 14).

Our decision required PG&E and interested parties to submit an assessment report, including their recommendations about the future of the programs. More specifically, these recommendations must address whether the pilot programs should be expanded or terminated, and if terminated, the proper disposition of all existing customer-owned meters. We also required PG&E to file an application containing these recommendations no later than July 1, 2002 and no sooner than June 1, 2002.[6]

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[5] This pilot program is described in § 2.10.5 of the Comprehensive Gas OII Settlement and in the Assessment Report attached to A.02-06-051.

[6] D.00-05-049, Ordering Paragraph 5.

B. Procedural Matters

In compliance with Ordering Paragraph 5 of D.00-05-049, on June 28, 2002, PG&E filed its application and assessment reports for both pilot programs. On the basis of the assessment reports' primary recommendation to continue both pilot programs, PG&E requests Commission approval to convert these pilot programs into permanent programs.

Notice of the filing of this application appeared on the Commission's July 5, 2002 Daily Calendar, and within 30 days of this date,[7] on August 5, 2002, a timely protest was filed by the Coalition of California Utility Employees (CCUE). CCUE opposes the extension of the programs beyond their scheduled expiration date, arguing that the assessment reports demonstrate the pilots are not filling any unmet market niche or responding to any great market demand, and thus lack any ongoing value.

In Resolution ALJ 176-3091, dated July 17, 2002, the Commission preliminarily categorized this proceeding as ratesetting and preliminarily determined that hearings were not necessary. Based on the record, which includes the application, the assessment reports, and the protest, we conclude that public hearing is not necessary to decide the merits of this case, and accordingly, we do not alter the preliminary determinations in Resolution ALJ 176-3091.

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[7] Rule 44.1 of the Commission's Rules of Practice and Procedure requires that a protest be filed within 30 days of the date the notice of the filing of the application first appears in the Daily Calendar.

C. The Assessment Reports

The assessment of these two pilots began one year prior to the programs' end. In December 2001, PG&E contacted the parties to the Gas OII service list to solicit their interest in working on the assessment. Four parties responded, and began working with PG&E. These parties[8] ultimately produced a customer survey that was used in the assessment process. They also provided direct input to the assessment report itself.

The parties report that one noncore customer, an electric generating company operating at four separate new locations, has elected to participate in the first pilot and own its gas metering equipment. In that case, metering systems for each location have been engineered and gas measurement facilities are operational. No PG&E gas customer has elected to participate in the pilot program to own a gas meter add-on device (Assessment Report, pp. 3 – 4).

The customer survey transmitted to all parties on the Gas OII service list elicited four responses, three from school districts and one from an electric generator. The school districts indicated no awareness of the pilot programs; however one district indicated that it had no need to own its gas metering facilities. The electric generator stated that in some circumstances it was able to avoid installing duplicate meters, and thereby reduce costs, by participating in gas meter ownership; however, the customer's analysis of capital, operating and maintenance costs determined that in most cases, participation was not economical. This same customer did not participate in the add-on program

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[8] In addition to PG&E, those participating in the assessment process included Calpine Corporation (Calpine); American Energy Institute; the Law Firm of Adams, Broadwell, Joseph and Cardozo; and the School Project for Utility Rate Reduction (SPURR).

because it did not provide information it wanted, and due to timing and scheduling issues (Assessment Report, p. 4).

The assessment report contains specific findings about PG&E's development of website and contact information to publicize these programs, its establishment of required management systems to make the programs work (contact forms, customer packages, tracking systems, etc.), and the start up and ongoing costs it incurred[9] (Assessment Report, p. 5).

The report also contains the following key findings about the gas meter ownership pilot program:

- There were 24 new noncore customer locations eligible to participate in this pilot, but only 6 contacted PG&E for information. One customer developed its four sites and acquired the metering systems at each location.
- The limited number of survey responses appears to indicate little awareness of, or interest in, the program.
- The customer who responded positively indicated that it may be able to save money on some future gas installations.

The report makes the following key findings about the gas meter add-on device pilot program:

- No customer has chosen to participate in this program, although one customer has indicated a desire that the program continue.
- The limited number of survey responses appears to indicate little awareness of, or interest in, the program.

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[9] Start up costs totaled approximately $25,000 for each pilot, for a total of $50,000. Ongoing O&M costs for the two programs are approximately $1,000 per month. (Assessment Report, p. 5).

The report contains a more general observation and finding that the pilot programs were not heavily marketed or publicized, aside from a description on PG&E's website. No other parties or vendors publicized the programs. Those preparing the assessment theorize that a lack of marketing and interest in the present program may relate to the fact that customers are currently unable to use the information from a gas meter add-on device for their own revenue cycle or gas balancing purposes.

The report concludes that the programs can save some customers some installation costs in some situations, and that over time, as customers become more familiar with these programs, it is possible that more customers will choose to participate. The primary recommendation based on these findings and conclusions, and shared by four of the five participants[10] is that both pilot programs be continued as regular programs that PG&E can offer to its customers. The alternate recommendation, proposed by one of the five participants,[11] is that the pilot programs be discontinued.

III. Discussion

Pilot programs are commonly understood to serve as tentative models for future experiment or development. Their primary function in this arena is to serve as testing vehicles, allowing decisionmakers and market participants to gather critical information about customer impacts, response and participation, as a prelude to broader program implementation. Protestants argue that the pilot programs are a failed experiment because they have not garnered customer

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[10] PG&E, American Energy Institute, Calpine, and SPURR.

[11] The Law Firm of Adams, Broadwell, Joseph & Cardozo.

support (CCUE Protest, pp. 1 –2). This is only partly true. These two pilot programs have been successful as information gatherers in several significant areas that will inform public policy in the future. For example, as the assessment report for these pilot programs demonstrates, marketing and consumer education are critical elements to a successful customer response, and the lack of planning and funding in this area can be fatal. A pilot program may also be successful in highlighting the need for structural or regulatory changes. This is the clear message from the participants in the assessment report, who found that current marketplace rules and regulations may actually impede program success because they preclude customers from using their gas usage information for their own revenue cycle or gas balancing purposes. These are both important "lessons learned," especially as the Commission works with the California Energy Commission and the California Power and Conservation Financing Authority in the collaborative demand response Rulemaking (R.) 02-06-001), whose policy goal is to foster the orderly development of customer demand-responsiveness capability in California.[12]

Having realized some important informational benefits from the two pilot programs at issue here, we now confront the reality that the pilots have failed to garner any meaningful participation or customer support. The findings of the assessment report state unequivocally that there has been scant participation in the first pilot. Indeed, this pilot allows up to 500 meter installations per year, but

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[12] Although R.02-06-001 will not delve into any broad-ranging review of the natural gas market, nor will it result in the development of dynamic gas tariffs, it is addressing metering issues related to systems (such as PG&E's) with dual-fuel reading capabilities (Administrative Law Judge's (ALJ's) Ruling Following the First Meeting of Working Group 1, pages 14-15).

there have been only four meter installations by one customer over the two-and-a-half year life of the program. The second pilot allows up to 1000 (or more) add-on device installations per year, but this pilot has seen zero customer participation during this same extended period of time. Given these findings, the assessment report's primary recommendation to make these programs permanent is unfounded. Based on the report's findings, it seems inexplicable to convert these pilots into permanent programs in the absence of any meaningful ongoing customer interest in them. If the programs were to continue, their success, measured as programs rather than information-gathering pilots, would require a significant infusion of marketing and consumer education funding and effort and perhaps other fundamental changes. In addition, it is unclear that the add-on pilot program has any current value to customers, in the absence of other changes that would allow customers to use the information the device gives them to impact their bills. Furthermore, the parties have recommended no changes to the pilot programs to address these deficiencies and improve program participation.

In short, it is poor public policy to continue spending funds on these pilot programs, which have served a very useful information gathering purpose, but are not sustainable as permanent programs due to the demonstrated lack of customer interest and participation. The one customer who has participated in the gas meter ownership pilot will be allowed to continue to own the gas meters acquired under the program. However, both pilots should expire as scheduled on December 31, 2002, and our order so provides.

In reaching this decision to terminate these pilot programs, it is not our intent to foreclose the option of customer ownership of gas meters in general. The concept remains alive, but we think it makes better sense to stop wasting resources on pilot programs which have outlived their useful purpose. The decision to discontinue these pilots is not a determination on our overall policy on customer gas meter or add-on device ownership.

IV. Comments on Draft Decision

The draft decision of the ALJ in this matter was mailed to the parties in accordance with Public Utilities Code §311(g)(1) and Rule 77.7 of the Rules of Practice and Procedure. Comments were received on November 11, 2002 from PG&E, and in response, certain nonsubstantive changes were made.

V. Assignment of Proceeding

Michael Peevey is the Assigned Commissioner and Lynn Carew is the assigned ALJ in this proceeding.

Findings of Fact

1. In compliance with Ordering Paragraph 5 of D. 00-05-049, PG&E filed this application seeking to make permanent two Commission-approved pilot programs which allow a certain number of customers to own their own gas meters and gas meter add-on devices.

2. CCUE has filed a protest opposing the extension of the two pilot programs beyond their scheduled expiration date, arguing that the pilots lack any ongoing value to customers.

3. The first pilot program, open to new noncore customers, provides for installation of up to 500 customer-owned meters per year, under terms first outlined in the Comprehensive Gas OII Settlement Agreement approved in D.00-05-049.

4. The second pilot program, open to all gas customers, provides for installation of up to 1,000 (or more) customer-owned gas meter add-on devices

per year, under terms first outlined in the Comprehensive Gas OII Settlement Agreement approved in D.00-05-049.

5. Both pilot programs are scheduled to terminate on December 31, 2002.

6. In compliance with D.00-05-049, PG&E and interested parties submitted an assessment report recommending that both pilot programs be converted into permanent programs on the basis that the programs can save some customers some installation costs in some circumstances, and over time, as customers gain familiarity with these programs, it is possible that more customers will choose to participate.

7. Only one noncore customer, an electric generating company, has elected to participate in the first pilot program and own its gas metering equipment at four sites.

8. No PG&E gas customer has elected to participate in the pilot program to own a gas meter add-on device.

9. The customer survey, conducted as part of the assessment process and transmitted to all parties on the Gas OII service list, elicited four responses, three from school districts and one from an electric generator; the school districts were unaware of the pilot programs, and the generator did not participate in the add-on device pilot, but stated that, in some limited cases, it was able to reduce some costs by participating in the first pilot.

10. The two pilot programs were not heavily marketed or publicized, and this may account for the demonstrated lack of interest in one or both programs.

11. Customers are currently unable to use the information from a gas meter add-on device for their own revenue cycle or gas balancing purposes, and this may account for the demonstrated lack of interest in the add-on device pilot program.

12. Pilot programs are designed to serve as testing vehicles, allowing decisionmakers and market participants to gain critical information about customer impacts, response and participation, as a prelude to broader program implementation.

13. The assessment report demonstrates that the two pilot programs at issue were successful in gathering important information, including the value of customer education and marketing to overall program success, and the need for certain structural or regulatory changes that may make add-on devices more valuable to customers.

14. Based on the assessment report, it is clear that the two pilot programs have failed to garner any meaningful participation or customer support.

15. There are ongoing costs associated with continuing the pilot programs beyond their scheduled expiration date.

16. Although the pilot programs have been successful in gathering certain information, they are not sustainable as permanent programs due to the demonstrated lack of customer interest and participation.

17. There is no rational basis to support the assessment report’s primary recommendation that the two pilot program be converted into permanent programs, as this would require a continuing expenditure of resources on pilot programs that have outlived their useful purpose, and have attracted almost no customer interest or participation.

18. The discontinuance of these pilot programs is not a policy determination on customer gas meter or add-on device ownership.

Conclusions of Law

1. No public hearing is necessary to resolve the merits of this case.

2. The Assessment Report's primary recommendation to continue the Customer Meter Ownership and Meter Choice program, with its present criteria but with no termination date, should be rejected.

3. The Assessment Report's primary recommendation to continue the Customer Ownership of Meter Add-Ons program, with its present criteria but with no termination date, should be rejected.

4. The Assessment Report's alternate recommendation that both pilot programs be discontinued, should be adopted.

5. The CCUE protest should be granted to the extent consistent with the preceding findings of fact.

6. The Customer Meter Ownership and Meter Choice pilot programs adopted in D.00-05-049 should expire on December 31, 2002, as currently scheduled.

7. The one customer who has participated in the Customer Meter Ownership and Meter Choice pilot program should be allowed to continue to own the gas meters acquired under the program.

8. The Customer Ownership of Meter Add-Ons pilot program adopted in D.00-05-049 should expire on December 31, 2002, as currently scheduled.

9. The application should be denied.

O R D E R

IT IS ORDERED that:

1. The application of Pacific Gas and Electric Company (PG&E) proposing the extension of the pilot programs for customer ownership of gas meters and

gas meter add-on devices that were adopted in Decision 00-05-049 is denied; both pilot programs expire on December 31, 2002.

2. The protest of the Coalition of California Utility Employees is granted, to the extent consistent with the preceding Findings of Fact and Conclusions of Law.

3. The one customer who has participated in the Customer Meter Ownership and Meter Choice pilot program is allowed to continue to own the gas meters acquired under the program, under the provisions of PG&E's tariff, Gas Meter Ownership Pilot Agreement, Form 79-969.

4. Application 02-06-051 is closed.

This order is effective today.

Dated November 21, 2002, at San Francisco, California.

LORETTA M. LYNCH
President
HENRY M. DUQUE
CARL W. WOOD
MICHAEL R. PEEVEY
Commissioners

Commissioner Geoffrey F. Brown, being necessarily absent, did not participate.